

**Leelanau Township
Leelanau County, Michigan**

FINANCIAL STATEMENTS
AND REPORT OF INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS

March 31, 2006

Dennis, Gartland & Niergarth

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Leelanau Township	County Leelanau
Fiscal Year End March 31, 2006	Opinion Date May 17, 2006	Date Audit Report Submitted to State September 29, 2006	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).


YES ☒ NO ☐

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>	N/A		
Certified Public Accountant (Firm Name) Dennis, Gartland & Niergarth		Telephone Number (231) 946-1722		
Street Address 415 Munson Avenue		City Traverse City	State MI	Zip 49686
Authorizing CPA Signature 		Printed Name Mary F. Krantz		License Number 1101014936

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DENNIS, GARTLAND & NIERGARTH

Business and Financial Advisors
Our clients' success = our business

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Township Board
Leelanau Township
Leelanau County, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of **Leelanau Township** (the "Township") as of and for the year ended March 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material aspects, the respective financial position of the governmental activities and each major fund of the Township as of March 31, 2006, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Township has not presented a management discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 17, 2006, on our consideration of the Township's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

Member of



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The budgetary comparison information on pages 20-22, is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township's basic financial statements. The combining non-major financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining non-major fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Dennis, Gartland & Niergarth

May 17, 2006

Leelanau Township
STATEMENT OF NET ASSETS
March 31, 2006

	<u>Totals Governmental Activities</u>
ASSETS	
CURRENT ASSETS	
Cash and equivalents	\$ 718,103
Investments	7,112
Accounts receivable	7,437
Due from other governmental units	24,827
Taxes receivable	84,360
Due from other funds	<u>111,741</u>
Total current assets	953,580
CAPITAL ASSETS, net of accumulated depreciation	1,817,922
OTHER ASSETS	
Long-term receivable	<u>31,932</u>
Total assets	<u><u>\$ 2,803,434</u></u>
 LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Accounts payable	<u>\$ 36,003</u>
Total liabilities	<u>36,003</u>
NET ASSETS	
Invested in capital assets, net of related debt	1,817,922
Unrestricted	<u>949,509</u>
Total net assets	<u>2,767,431</u>
Total liabilities and net assets	<u><u>\$ 2,803,434</u></u>

Leelanau Township

STATEMENT OF ACTIVITIES

For the Year Ended March 31, 2006

Functions/Programs	Net (Expense) and Changes in Net Assets Primary Government			
	Program Revenues			Governmental Activities
	Charges For Services	Operating Grants and Contributions		
	Expenses			
Primary government				
Governmental activities				
Legislative	\$ 44,417	\$ -	-	\$ (44,417)
General Government	248,347	98,464	102,214	(47,669)
Fire/EMS	564,355	53,488	-	(510,867)
Police	79,829	-	-	(79,829)
Planning and zoning	95,491	19,889	-	(75,602)
Parks and recreation	28,703	-	-	(28,703)
Library	91,231	-	6,460	(84,771)
Capital outlay	7,622	-	-	(7,622)
Interest on long-term debt	585	-	-	(585)
Depreciation - unallocated	134,401	-	-	(134,401)
Total governmental activities	1,294,981	171,841	108,674	(1,014,466)
General purpose revenues				
Taxes				
Property taxes, levied for general purposes				1,114,617
Investment earnings				22,164
Miscellaneous				54,861
Total general revenues				1,191,642
Change in net assets				177,176
Net assets, beginning of the year				2,590,255
Net assets, end of the year				\$ 2,767,431

⚡ The accompanying notes are an integral part of these financial statements.

Leelanau Township

BALANCE SHEET - GOVERNMENTAL FUNDS

March 31, 2006

	General Fund	Fire/EMS Fund	Facilities Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and equivalents	\$ 116,757	\$ 379,910	\$ 139,277	\$ 82,159	\$ 718,103
Investments	-	-	-	7,112	7,112
Accounts receivable	39,369	-	-	-	39,369
Due from governmental units	24,827	-	-	-	24,827
Taxes receivable	23,724	46,487	8,108	6,041	84,360
Due from other funds	91,568	15,495	137,564	2,031	246,658
Total assets	<u>\$ 296,245</u>	<u>\$ 441,892</u>	<u>\$ 284,949</u>	<u>\$ 97,343</u>	<u>\$ 1,120,429</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 8,299	\$ 7,889	\$ -	\$ 19,815	\$ 36,003
Due to other funds	-	134,917	-	-	134,917
Total liabilities	<u>8,299</u>	<u>142,806</u>	<u>-</u>	<u>19,815</u>	<u>170,920</u>
FUND BALANCES					
Reserved for					
Long-term receivable	31,932	-	134,860	-	166,792
Restricted donations	-	-	-	7,112	7,112
Unreserved	<u>256,014</u>	<u>299,086</u>	<u>150,089</u>	<u>70,416</u>	<u>775,605</u>
Total fund balances	<u>287,946</u>	<u>299,086</u>	<u>284,949</u>	<u>77,528</u>	<u>949,509</u>
Total liabilities and fund balances	<u>\$ 296,245</u>	<u>\$ 441,892</u>	<u>\$ 284,949</u>	<u>\$ 97,343</u>	

Reconciliation of Governmental Fund Balances to District-Wide Governmental Activities Net Assets

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The cost of the assets is \$2,868,872 and the accumulated depreciation is \$1,050,950.

1,817,922

Total net assets - governmental activities

\$ 2,767,431

Leelanau Township

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS

For the Year Ended March 31, 2006

	General Fund	Fire/EMS Fund	Facilities Fund	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	\$ 288,243	\$ 633,044	\$ 110,415	\$ 82,915	\$ 1,114,617
State grants	102,214	-	-	6,460	108,674
Charges for services	98,464	53,488	-	-	151,952
Interest income	9,887	5,632	5,197	1,448	22,164
Other revenue	42,544	15,877	-	16,329	74,750
Total revenues	541,352	708,041	115,612	107,152	1,472,157
EXPENDITURES					
Current					
Legislative	44,417	-	-	-	44,417
General government	248,312	-	35	-	248,347
Public safety	95,491	564,355	-	79,829	739,675
Recreation and culture	28,703	-	-	91,231	119,934
Capital outlay	72,495	450,420	44,545	12,996	580,456
Debt service	-	585	-	-	585
Total expenditures	489,418	1,015,360	44,580	184,056	1,733,414
REVENUES OVER (UNDER) EXPENDITURES	51,934	(307,319)	71,032	(76,904)	(261,257)
OTHER FINANCING SOURCES (USES)					
Operating transfers in	1,550	807	-	89,777	92,134
Operating transfer out	(89,777)	(1,550)	-	(807)	(92,134)
Total other financing sources (uses)	(88,227)	(743)	-	88,970	-
NET CHANGE IN FUND BALANCES	(36,293)	(308,062)	71,032	12,066	(261,257)
Fund balance, beginning of year	324,239	607,148	213,917	65,462	1,210,766
Fund balance, end of year	\$ 287,946	\$ 299,086	\$ 284,949	\$ 77,528	\$ 949,509

Leelanau Township

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES WITH THE STATEMENT OF ACTIVITIES

For the Year Ended March 31, 2006

Total net change in fund balances - governmental funds \$ (261,257)

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays to purchase or build capital assets are reported in the governmental funds expenditures. However, those costs are allocated over their estimated useful lives as annual depreciation expenses in the statement of activities.

Capital outlays	\$ 572,834	
Depreciation expense	<u>(134,401)</u>	<u>438,433</u>

Change in net assets of governmental activities \$ 177,176

Leelanau Township

STATEMENT OF FIDUCIARY NET ASSETS

March 31, 2006

	Private-purpose Trusts	Agency Funds
ASSETS		
Cash	\$ 50,672	\$ 141,087
Investments	41,728	-
Total assets	<u>\$ 92,400</u>	<u>\$ 141,087</u>
LIABILITIES		
LIABILITIES		
Due to other funds	\$ -	\$ 111,740
Due to other governmental units	-	29,347
Total liabilities	<u>-</u>	<u>\$ 141,087</u>
NET ASSETS		
Reserved for cemetery perpetual care	87,990	
Unreserved	4,410	
Total net assets	<u>\$ 92,400</u>	

Leelanau Township

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

For the Year Ended March 31, 2006

	Private-purpose Trusts
	<hr/>
ADDITIONS	
Gifts and contributions	\$ 3,745
Sale of cemetery lots	3,850
Interest earned	1,332
Miscellaneous	<hr/> 500
Total additions	<hr/> 9,427
DEDUCTIONS	
Fireman's fund memorial	1,565
EMS memorial	<hr/> 1,443
Total deductions	<hr/> 3,008
CHANGE IN NET ASSETS	6,419
Net assets, April 1, 2005	<hr/> 85,981
Net assets, March 31, 2006	<hr/> <hr/> \$ 92,400

Leelanau Township

NOTES TO FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Introduction

The accounting and reporting framework and the more significant accounting principles and practices of Leelanau Township (the "Township") are discussed in subsequent sections of this note. The remainder of the notes are organized to provide explanations, including required disclosures, of the Township's financial activities for the fiscal year ended March 31, 2006.

The Financial Reporting Entity

The Township's financial statements include the accounts of all Township operations. In accordance with generally accepted accounting principles and Governmental Accounting Standards Board ("GASB") Statement No. 14, *The Financial Reporting Entity*, the Township is financially accountable if it appoints a voting majority of an organization's governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial benefit to or impose specific financial burden on the Township. Additionally, the Township is required to consider other organizations for which the nature and significance of their relationship with the Township are such that exclusion would cause the Township's financial statements to be misleading or incomplete. The Township has not identified any blended or discretely presented component units requiring inclusion in the Township's financial statements.

Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The statement of net assets and statement of activities display information about the Township as a whole, except for its fiduciary activities. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and general revenues.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees, fines and forfeitures, and other charges to users of the Township's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction or rehabilitation of capital assets. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

NOTES TO FINANCIAL STATEMENTS - Continued

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Fund Financial Statements

The balance sheet and statement of revenues, expenditures and changes in fund balances (i.e., fund financial statements) for the Township's governmental funds are presented after the government-wide statements. These statements display information about major funds individually and non-major funds in the aggregate for governmental funds. Major funds are generally those that represent 10% or more of governmental fund assets, liabilities, revenues or expenditures.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The financial statements of the Township are prepared in accordance with generally accepted accounting principles ("GAAP"). The Township applies all relevant Governmental Accounting Standards Board ("GASB") pronouncements and applicable Financial Accounting Standards Board ("FASB") pronouncements and Accounting Principles Board ("APB") opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The Township does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

The government-wide statements report using the economic resource measurement focus and the accrual basis of accounting generally, including the reclassification or elimination of internal activity (between or within funds). Reimbursements are reported as reductions to expenses. Proprietary and fiduciary fund financial statements also report using this same focus and basis of accounting, although internal activity is not eliminated in these statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The Township considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported as expenditures in the year due.

Major revenue sources susceptible to accrual include property taxes, intergovernmental revenues and investment income. In general, other revenues are recognized when cash is received.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted resources as needed.

Fund Types and Major Funds

Activities in Major Funds

The General Fund is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund.

The Fire/Emergency Medical Services Fund is used to account for a tax levy restricted for the provision of fire and emergency medical services to township residents.

NOTES TO FINANCIAL STATEMENTS - Continued

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Activities in Non-Major Funds

GOVERNMENTAL FUNDS

Special revenue funds – these funds are used to account for specific revenue (other than special assessments, expendable trusts or major capital projects) derived from State and Federal grants, General Fund appropriations and charges for services which are to be expended for specific purposes as dictated by legal, regulatory or administrative requirements.

FIDUCIARY FUNDS

Fiduciary Funds are used to account for assets held by the Township in a trustee capacity or as an agent. Fiduciary Fund net assets and results of operations are not included in the government-wide statements. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurements of results of operations.

Cash and Equivalents

The Township reporting entity considers highly liquid investments (including restricted assets) with an original maturity of three months or less when purchased to be cash equivalents.

Capital Assets

Capital assets are recorded at cost or, if donated, the fair value at the time of donation. Capital assets are depreciated over their estimated useful lives ranging from 7 to 50 years. The Township generally capitalizes assets with costs of \$500 or more as purchase and construction outlays occur. No depreciation is recorded on land. Expenditures for major renewals and betterments that extend the useful lives of the capital assets are capitalized. Expenditures for maintenance and repairs are charged to current expenditures as incurred. Depreciation is computed using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts and the resulting gain or loss is recorded in operations.

Estimated useful lives, in years, for depreciable assets are as follows:

Buildings	50 years
Improvements, other than buildings	20 to 25 years
Vehicles	7 to 15 years
Furniture and equipment	3 to 20 years

Fund Equity

The governmental fund financial statements report reserved fund balance for amounts not available for appropriation or legally restricted for specified purposes. Designations of fund balance represent tentative management plans that are subject to change. The Township had no fund balance reservations or designations as of March 31, 2006.

NOTES TO FINANCIAL STATEMENTS - Continued

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Allocation of Expenses

The Township reports each function's direct expenses, those that are specifically associated with a service, program or department and, thus, are clearly identifiable to a particular function.

The Township has elected to not allocate indirect expenses. However, depreciation expense directly related to a particular function is included in that function on the statement of activities.

Program Revenues

Program revenues derive directly from the program itself or from outside parties for the restricted use in a particular program. On the statement of activities, program revenues reduce the net cost of the various functions to reflect the amount which is financed from the Township's general revenues.

The Township's most significant program revenue is State Revenue Sharing, which is reported as operating grants and contributions.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual amounts could differ from those estimates.

NOTE B - BUDGETARY POLICY AND PRACTICE

The Township has adopted these procedures in establishing the budgets as reflected in the financial statements:

1. Each winter, the Supervisor and Clerk formulate preliminary budgets for the coming year, which is then submitted to the Township Board for its review.
2. A public hearing is held prior to March 31 on the proposed budgets to obtain taxpayer comments.
3. The Township Board reviews the proposed budget and then in March adopts a formal resolution approving the needed appropriations for the coming operating year.
4. All transfers of budget amounts and any amendments to the formal Appropriation Act are approved by the Township Board.
5. It is the Supervisor's responsibility to supervise and monitor the budget process. He does this by reviewing the monthly financial data and reporting and recommending any needed amendments to the Township Board.

NOTES TO FINANCIAL STATEMENTS – Continued

6. The budget is adopted on a basis consistent with generally accepted accounting principles.
7. The budgets presented in these financial statements are as originally adopted and as formally amended by the Township Board.
8. All annual appropriations lapse at fiscal year-end.

NOTE C - CASH AND INVESTMENTS

At March 31, 2006, the Township's cash and investments include the following:

	<u>Balance Sheet Classification</u>		
	<u>Cash and Equivalents</u>	<u>Investments</u>	<u>Total</u>
Bank deposits and cash on hand	\$779,862	\$ -	\$779,862
CD and mutual funds	100,000	78,840	178,840
Total	<u>\$879,862</u>	<u>\$78,840</u>	<u>\$958,702</u>

Custodial Credit Risk – Deposits

In the event of a bank failure, the Township's deposits may not be returned to it. As of March 31, 2006, \$754,301 of the Township's bank balance of \$954,301 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Investments

Michigan law permits investments in the following vehicles:

1. Bonds and other obligations of the United States Government.
2. Certificates of deposit and savings accounts of banks or credit unions who are members of the FDIC and FSLIC, respectively.
3. Certain commercial paper.
4. United States Government repurchase agreements.
5. Banker's acceptance of United States banks.
6. Certain mutual funds.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Current</u>	<u>Investment Maturities (in years)</u>		
			<u>1-5</u>	<u>6-10</u>	<u>More than 10</u>
CD	\$60,000	\$60,000	\$ -	\$ -	\$ -
Mutual funds	18,840	18,840	-	-	-

Interest Rate Risk

In accordance with the Township's investment policy, the Township will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by: structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in short-term securities, liquid asset funds, money market funds, or similar investment pools and limiting the average maturity in accordance with the Township's cash requirements.

NOTES TO FINANCIAL STATEMENTS – Continued

Credit Risk

State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized rating organizations. The Township has no investment policy that would further limit its investment choices.

NOTE D - RECEIVABLES, UNCOLLECTIBLE ACCOUNTS AND DEFERRED REVENUE

Property Taxes Receivable, Deferred Revenue and Property Tax Calendar

Property taxes are levied, billed and attached as enforceable liens in December of the Township's fiscal year. The Township collects real property taxes between December 1 and February 14. After this time, the taxes become delinquent and must be paid at the County Treasurer's office. The County pays the Township for uncollected taxes as of February 14 out of proceeds of revolving tax notes. Personal property taxes are the responsibility of the Township to collect. In the governmental fund financial statements, if delinquent taxes are not paid within 60 days of year-end, they are recorded as deferred revenue. In the government-wide financial statements, property taxes receivable and related revenue include all amounts due the Township regardless of when cash is received. Over time, substantially all property taxes are collected.

During the fiscal year, \$3.8012 per \$1,000 of equalized property value of \$277 million was levied for the following purposes: general operating, fire/EMS, township facilities and police.

Intergovernmental Receivables and Deferred Revenue

Intergovernmental receivables are primarily comprised of amounts due from the State government. Revenue is recorded as earned when eligibility requirements are met. Grant revenues deferred in the governmental fund financial statements include unearned revenue and revenue received more than 60 days following year-end (unavailable to pay liabilities of the current period). Deferred revenue received after 60 days is fully recognized as revenue in the government-wide statements if grantor eligibility requirements are met.

Amounts due from other governments at March 31, 2006, were due entirely from the State of Michigan for State Revenue Sharing payments.

NOTES TO FINANCIAL STATEMENTS - Continued

NOTE E - INVESTMENTS IN CAPITAL ASSETS

Investments in capital assets consist of the following:

	<u>April 1, 2005</u>	<u>Additions</u>	<u>Retirements</u>	<u>March 31, 2006</u>
Buildings and improvements	\$1,065,718	\$ -	\$ -	\$1,065,718
Furniture and equipment	250,744	52,697	-	303,441
Vehicles	<u>722,322</u>	<u>448,492</u>	<u>-</u>	<u>1,170,814</u>
Total depreciable assets	2,038,784	501,189	-	2,539,973
Less accumulated depreciation	(916,549)	(134,401)	-	(1,050,950)
Land	<u>257,254</u>	<u>71,645</u>	<u>-</u>	<u>328,899</u>
Total capital assets, net	<u>\$ 1,379,489</u>	<u>\$438,433</u>	<u>\$ -</u>	<u>\$1,817,922</u>

Depreciation expense is reported in the statement of activities as follows:

Unallocated	<u>\$134,401</u>
-------------	------------------

NOTE F – BALANCES AND TRANSFERS/PAYMENTS WITHIN THE REPORTING ENTITY

Operating Transfers

A summary of operating transfers in and out of individual funds follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$1,550	\$89,777
Fire/EMS Fund	807	1,550
Library Fund	89,777	-
Fire Building	-	807

Receivables and Payables

Interfund receivables and payables as reported in the governmental fund financial statements at March 31, 2006 are as follows:

<u>Fund</u>	<u>Receivable</u>	<u>Payable</u>
General Fund	\$91,568	\$ -
Fire/EMS Fund	15,495	134,917
Police Fund	2,031	-
Facilities Fund	137,564	
Tax Collection Fund	-	111,741

NOTES TO FINANCIAL STATEMENTS - Continued

NOTE G - RISK MANAGEMENT

The Township pays an annual premium to a private insurance carrier for its general insurance coverage. The Township carries coverage for property damage, liability, wrongful acts, automobile and crime claims. Also, the Township carries worker's compensation insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The Township also continues to carry commercial insurance for employee health and accident insurance.

NOTE H - PENSION PLAN

The Township participates in a defined contribution pension plan. The plan covers substantially all employees with the exception of seasonal employees. The amount of covered payroll for the year ended March 31, 2006 was \$383,223; total payroll for the year ended March 31, 2006 was \$514,045. Employer contributions are based upon a percentage of annual payroll. Employees may make additional contributions. Employees are vested 100% immediately in employee contributions and are vested as follows in employer contributions:

The Township fully funded its required contributions for the year ended March 31, 2006. Employer contributions for the years ended March 31, 2006, 2005 and 2004 amounted to \$38,322, \$16,440 and \$16,337, or 10% of covered payroll. There were employee contributions of \$2,100 during the year.

None of the plan's assets are invested in Township securities or those of related parties. There are no loans from the plan to the Township.

NOTE I - LONG-TERM RECEIVABLE

The long-term receivable is the result of the Township incurring costs associated with the development of the local sewer system. The Township will be reimbursed when funding of the sewer project becomes available through the issuance of bonds. As of March 31, 2006, the balance of the long-term receivable was \$31,932.

NOTE J - COMMITMENTS AND CONTINGENCIES

The Township and a neighboring village are in the process of establishing a sewer authority to construct and operate a sewer system for the area. The Township's estimated cost of the project is \$2,265,400. The project will be paid with the proceeds from a State Revolving Fund loan. The loan will be repaid by special assessments billed to the benefiting property owners.

REQUIRED SUPPLEMENTARY INFORMATION

Leelanau Township
BUDGETARY COMPARISON FOR THE GENERAL FUND
For the Year Ended March 31, 2006

	Budgeted Amounts		Actual (GAAP Basis)	Variances - Positive (Negative)	
	Original	Final		Original to Final	Final to Actual Total
REVENUES					
Taxes					
Property taxes	\$ 294,312	\$ 304,183	\$ 287,738	\$ 9,871	\$ (16,445)
Swamp tax	520	520	505	-	(15)
Total taxes	294,832	304,703	288,243	9,871	(16,460)
Collection fees	90,772	102,630	98,464	11,858	(4,166)
Intergovernmental revenues	101,103	102,222	102,214	1,119	(8)
Interest income	3,900	6,510	9,887	2,610	3,377
Other					
Licenses and permits	24,200	25,700	19,889	1,500	(5,811)
Contributions from private sources	100	100	4	-	(96)
Rentals	4,350	750	600	(3,600)	(150)
Miscellaneous	27,283	30,134	22,051	2,851	(8,083)
Total other revenues	55,933	56,684	42,544	751	(14,140)
Total revenues	546,540	572,749	541,352	26,209	(31,397)
EXPENDITURES					
General government					
Township Board	41,991	48,376	44,417	(6,385)	3,959
Supervisor	30,752	30,752	30,517	-	235
Elections	7,465	4,950	3,076	2,515	1,874
Assessor	62,143	58,293	57,822	3,850	471
Clerk	41,463	42,644	41,530	(1,181)	1,114
Treasurer	46,148	45,819	44,433	329	1,386
Community hall	36,364	41,138	38,186	(4,774)	2,952
Airport	43,933	13,833	10,496	30,100	3,337
Planning and zoning	80,410	103,351	95,491	(22,941)	7,860
Cemetery operations	14,437	14,234	12,617	203	1,617
Unallocated	9,898	12,375	9,635	(2,477)	2,740
Total general government	415,004	415,765	388,220	(761)	27,545
Culture and recreation					
Parks and recreation	24,905	29,210	28,703	(4,305)	507
Capital outlay	25,050	79,550	72,495	(54,500)	7,055
Total expenditures	464,959	524,525	489,418	(59,566)	35,107
EXCESS OF REVENUES OVER EXPENDITURES					
	81,581	48,224	51,934	(33,357)	3,710
Other financing sources (uses)					
Operating transfers in	2,000	1,550	1,550	(450)	-
Operating transfers out	(86,393)	(86,393)	(89,777)	-	(3,384)
Total financing uses, net	(84,393)	(84,843)	(88,227)	(450)	(3,384)
EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES					
	(2,812)	(36,619)	(36,293)	(33,807)	326
Fund balance, beginning	324,239	324,239	324,239	-	-
Fund balance, ending	\$ 321,427	\$ 287,620	\$ 287,946	\$ (33,807)	\$ 326

Leelanau Township

BUDGETARY COMPARISON FOR THE FIRE/EMS FUND

For the Year Ended March 31, 2006

	Budgeted Amounts		Actual (GAAP Basis)	Variances - Positive (Negative)	
	Original	Final		Original to Final	Final to Actual Total
REVENUES					
Taxes	\$ 631,611	\$ 667,732	\$ 633,044	\$ 36,121	\$ (34,688)
Charges for services	39,000	54,000	53,488	15,000	(512)
Interest income	4,000	5,010	5,632	1,010	622
Other	-	9,000	8,922	9,000	(78)
Contributions from private sources	1,200	1,500	150	300	(1,350)
Rentals	200	5,700	6,805	5,500	1,105
Miscellaneous					
Total revenues	676,011	742,942	708,041	66,931	(34,901)
EXPENDITURES					
Public safety	538,560	547,508	564,355	(8,948)	(16,847)
Capital outlay	305,000	462,500	450,420	(157,500)	12,080
Interest on long-term debt	-	590	585	(590)	5
Total expenditures	843,560	1,010,598	1,015,360	(167,038)	(4,762)
EXCESS OF EXPENDITURES OVER REVENUES	(167,549)	(267,656)	(307,319)	(100,107)	(39,663)
Other financing sources (uses)					
Operating transfers in	-	-	807	-	807
Operating transfers out	(1,550)	(1,550)	(1,550)	-	0
Total financing uses, net	(1,550)	(1,550)	(743)	-	807
EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	(169,099)	(269,206)	(308,062)	(100,107)	(38,856)
Fund balance, beginning	607,148	607,148	607,148	-	-
Fund balance, ending	\$ 438,049	\$ 337,942	\$ 299,086	\$ (100,107)	\$ (38,856)

Leelanau Township

BUDGETARY COMPARISON FOR THE FACILITIES FUND

For the Year Ended March 31, 2006

	Budgeted Amounts		Actual (GAAP Basis)	Variances - Positive (Negative)	
	Original	Final		Original to Final	Final to Actual Total
REVENUES					
Taxes	\$ 110,080	\$ 116,479	\$ 110,415	\$ 6,399	\$ (6,064)
Interest income	1,500	5,095	5,197	3,595	102
Total revenues	111,580	121,574	115,612	9,994	(5,962)
EXPENDITURES					
Unallocated	100	100	35	-	65
Capital outlay	50,000	45,345	44,545	4,655	800
Total expenditures	50,100	45,445	44,580	4,655	865
EXCESS OF EXPENDITURES OVER REVENUES					
Fund balance, beginning	61,480	76,129	71,032	14,649	(5,097)
	213,917	213,917	213,917	-	-
Fund balance, ending	<u>\$ 275,397</u>	<u>\$ 290,046</u>	<u>\$ 284,949</u>	<u>\$ 14,649</u>	<u>\$ (5,097)</u>

COMBINING FINANCIAL STATEMENTS

NON-MAJOR GOVERNMENTAL FUNDS - COMBINING BALANCE SHEET

March 31, 2006

	Library Fund	Building Improvement Fund	Police Services Fund	Fire Building Fund	Right-of-Way Telecom Fund	Totals (Memorandum Only)
ASSETS						
Cash	\$ 125	\$ 730	\$ 69,671	\$ -	\$ 11,633	\$ 82,159
Investments	7,112	-	-	-	-	7,112
Taxes receivable	-	-	6,041	-	-	6,041
Due from other funds	-	-	2,031	-	-	2,031
	<u>\$ 7,237</u>	<u>\$ 730</u>	<u>\$ 77,743</u>	<u>\$ -</u>	<u>\$ 11,633</u>	<u>\$ 97,343</u>

**LIABILITIES AND
FUND BALANCE**

LIABILITIES										
Accounts payable	\$	-	\$	-	\$	19,815	\$	-	\$	19,815
FUND BALANCE										
Restricted donations	7,112	-	-	-	-	7,112	-	-	-	7,112
Unreserved	125	730	57,928	-	-	70,416	11,633	-	-	70,416
Total fund balance	7,237	730	57,928	-	-	77,528	11,633	-	-	77,528
	\$	7,237	\$	730	\$	77,743	\$	11,633	\$	97,343

Leelanau Township

NON-MAJOR GOVERNMENTAL FUNDS - COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

Year Ended March 31, 2006

	Library Fund	Building Improvement Fund	Police Services Fund	Fire Building Fund	Right-of-Way Telecom Fund	Totals (Memorandum Only)
Receipts						
Taxes	\$ -	\$ -	\$ 82,915	\$ -	\$ -	\$ 82,915
Intergovernmental revenues	6,460	-	-	-	-	6,460
Interest	-	-	1,190	-	258	1,448
Other	11,044	-	1	-	5,284	16,329
Total receipts	17,504	-	84,106	-	5,542	107,152
Disbursements						
Public safety	-	-	79,829	-	-	79,829
Culture and recreation						
Library	91,231	-	-	-	-	91,231
Capital outlay	12,996	-	-	-	-	12,996
Total disbursements	104,227	-	79,829	-	-	184,056
EXCESS OF RECEIPTS OVER (UNDER) DISBURSEMENTS	(86,723)	-	4,277	-	5,542	(76,904)
Other financing sources (uses)						
Operating transfers in	89,777	-	-	-	-	89,777
Operating transfers out	-	-	-	(807)	-	(807)
Total other financing sources (uses)	89,777	-	-	(807)	-	88,970
EXCESS OF RECEIPTS AND OTHER SOURCES OVER (UNDER) DISBURSEMENTS AND OTHER USES	3,054	-	4,277	(807)	5,542	12,066
Fund balance, beginning	4,183	730	53,651	807	6,091	65,462
Fund balance, ending	\$ 7,237	\$ 730	\$ 57,928	\$ -	\$ 11,633	\$ 77,528



DENNIS, GARTLAND & NIERGARTH

Business and Financial Advisors
Our clients' success - our business

Thomas E. Cartland, CPA
Blair P. Niergarth, CPA
James G. Schenck, CPA
Robert C. Thompson, CPA
Michael P. Shaw, CPA
Marc F. Niergarth, CPA
Scott J. Beckwith, CPA

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Township Board
Leelanau Township

We have audited the financial statements of **Leelanau Township** (the "Township") as of and for the year ended March 31, 2006, and have issued our report thereon dated May 17, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Township Board, management, Michigan Department of Treasury, Federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Dennis, Gartland & Niergarth

May 17, 2006
Member of



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AUDIT-RELATED COMMUNICATIONS

To the Township Board
Leelanau Township

We have audited the financial statements of Leelanau Township (the "Township") for the year ended March 31, 2006, and have issued our report thereon dated May 17, 2006. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated May 10, 2006, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of the Township. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

However, during our audit, we became aware of a couple of matters that are opportunities for strengthening internal control and operating efficiency. The following summarizes our comments and suggestions regarding these matters. This letter does not affect our report dated May 17, 2006, on the financial statements of Leelanau Township.

Budgeting

As you will note in the budget to actual comparisons in the financial statements, there were a few negative variances with respect to budgeted revenues and one variance with respect to budgeted expenditures. Currently, budget amendments for changes in the expenditure budgets go before the board for approval. As a reminder, if it appears budgeted revenues will not be met, the revenue budget should be amended as well.

Cemetery Mutual Fund Donation

As you are aware, the Township received a donation from the estate of a resident many decades ago for the purpose of maintaining the resident's grave sites. Typically, mutual funds are not a permitted investment by governmental units and, accordingly, the Township disposed of this investment subsequent to year end.

As mentioned above, the earnings on this donation were to be used for maintenance of specific grave sites. The earnings/increase in market value since the donation was made is approximately \$11,000. It would seem the Township would be entitled to reimbursement of expenses to maintain the grave sites over the years. One way to do this is to determine what it costs today to maintain the grave sites and then use a deflation factor each year back to the date of donation. The amount of reimbursement back to the Township would be the sum of the amounts for each year, provided this amount does not exceed earnings/increase in market value since the date of donation.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Township are described in Note A to the financial statements. During the year ended March 31, 2006, the Township adopted the provisions of GASB 34. We noted no transactions entered into by the Township during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based upon management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

During the audit, we evaluated management's estimates against available information as a basis for concluding about the reasonableness of those estimates. We do not consider such estimates to be particularly sensitive.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Township's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by the Township, either individually or in the aggregate, indicate matters that could have a significant effect on the Township's financial reporting process.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Township's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing our audit.

To the Township Board
Leelanau Township
Page 4

This information is intended sole for the use of the Township Board and management of Leelanau Township and is not intended to be and should not be used by anyone other than these specified parties.

Dennis, Gartland & Niergarth

May 17, 2006